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American Embassy,
Taipei, February 12, 1954.

MEMORANDUM OF CONVERSATION

Participants: President Chiang Kai-shek
Foreign Minister George K. C. Yeh
Finance Minister C. K. Yen
Ambassador K. L. Rankin
Major General William C. Chase (MAAG)
Mr. Joseph L. Brent (FOA)
Mr. William E. Duggan (CIA)
Major General Peter Pee, President's Aide
Mr. Sampson Shen, President's Secretary and Interpreter

The above persons met in the President's Office this morning, at my request, to discuss a number of matters in which MAAG, FOA and CIA were interested, in some cases jointly.

I first brought up the proposed transfer of responsibility from CIA to MAAG as regards para-military or "guerrilla" activities on various offshore islands and asked General Chase to review the matter. He gave the President a prepared statement which was supplemented by explanatory remarks by Mr. Duggan that his organization would retain responsibility for covert activities on the offshore islands. The President of course knew of this project earlier, and raised no significant questions or comments. The Foreign Minister asked how "interdiction of Communist coastal shipping" would be handled, and Mr. Duggan replied that in effect there would be no change from the present situation. I remarked that in any case General Chase would not be responsible for the actual interception of any ships.

I then asked General Chase to make whatever remarks he wished about the Political Department. As previously arranged, he simply welcomed the President's invitation for him to serve on a committee in this connection and said that he would be glad to accept. It had been intended to pass on to another subject at this point, but President Chiang brought up the question of a letter which General Chase had written him not long ago (December 28, 1953) about the Political Department. He took exception to several statements in the

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